



REDACTED – FOR PUBLIC INSPECTION

VIA ECFS

June 22, 2017

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Room TW-A325
Washington, DC 20554

**RE: Washington County Rural Telephone Cooperative, Inc., SAC 320834
Submission of FCC Form 481 Annual Report
WC Docket No. 14-58 – ETC Annual Reports and Certifications**

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Washington County Rural Telephone Cooperative, Inc. (“the Cooperative”), Study Area Code 320834, hereby files its FCC Form 481 – Carrier Annual Reporting Data Collection Form. *The version of the Cooperative’s FCC Form 481 submitted via the FCC’s Electronic Comment Filing System (ECFS) is a redacted version of the filing that contains no confidential information.*

Section 3005 of FCC Form 481 requires privately-held rate-of-return carriers receiving high cost support to attach a full and complete annual report of the company’s financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Washington County Rural Telephone Cooperative, Inc., by its authorized representative, hereby seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.¹ The *Protective Order* specifically covers the information required by 47 C.F.R. §54.313(f)(2).

T (972) 387-4300
F (972) 960-2810

8750 N. Central Expressway
Suite 300
Dallas, TX 75231

Assurance, tax, and consulting offered through
Moss Adams LLP. Wealth management offered through
Moss Adams Wealth Advisors LLC. Investment banking
offered through Moss Adams Capital LLC.

¹ *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, *Protective Order*, 31 FCC Rcd 2089 (2016).

Washington County Rural Telephone Cooperative, Inc. is providing to the Office of the Secretary, under seal, this cover letter and the FCC Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

Each page of the Cooperative's financial annual report and the financial summary page on the FCC Form 481 bear the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Cooperative through its E-File system as attachments to the FCC Form 481.

In the filing submitted via the ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

The FCC Form 481 has also been filed with the Universal Service Administrative Cooperative and with the relevant state commissions and Tribal governments, as appropriate.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart Polikoff". The signature is fluid and cursive, with the first name "Stuart" and last name "Polikoff" clearly distinguishable.

Stuart Polikoff
Authorized Representative for
Washington County Rural Telephone Cooperative, Inc.

SP/jr

cc: Roland King, Washington County Rural Telephone Cooperative, Inc.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	320834
<015>	Study Area Name	WASHINGTON CTY RURAL
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Sara Morris, CPA, CGMA
<035>	Contact Telephone Number: Number of the person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	sara.morris@telemedia.coop
	Form Type	54.313 and 54.422

<010>	Study Area Code	320834
<015>	Study Area Name	WASHINGTON CTY RURAL
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Sara Morris, CPA, CGMA
<035>	Contact Telephone Number - Number of person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

No

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**(300) Unfulfilled Service Request
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	320834
<015>	Study Area Name	WASHINGTON CTY RURAL
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<035>	Contact Telephone Number - Number of person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

<300> Unfulfilled service request (voice)

0

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

0

<330> Detail on attempts (broadband)

Name of Attached Document

<010>	Study Area Code	320834
<015>	Study Area Name	WASHINGTON CTY RURAL
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Sara Morris, CPA, CGMA
<035>	Contact Telephone Number - Number of person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed voice	
<410>	Complaints per 1000 customers for fixed voice	0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed broadband	
<440>	Complaints per 1000 customers for fixed broadband	0 . 0
<450>	Complaints per 1000 customers for mobile broadband	

<010>	Study Area Code	320834
<015>	Study Area Name	WASHINGTON CTY RURAL
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<030>	Contact Name - Person USAC should contact regarding this data	Sara Morris, CPA, CGMA
<035>	Contact Telephone Number - Number of person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
320834in510.pdf		
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

(600) Functionality in Emergency Situations		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

<010>	Study Area Code	320834
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<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	320834in610.pdf

<010>	Study Area Code	320834
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<035>	Contact Telephone Number - Number of person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

[illegible]

**(800) Operating Companies
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	320834
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<020>	Program Year	2018
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<035>	Contact Telephone Number - Number of person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop
<810>	Reporting Carrier	Washington County Rural Telephone Cooperative, Inc.
<811>	Holding Company	Not Applicable
<812>	Operating Company	Washington County Rural Telephone Cooperative, Inc.

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	320834
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<020>	Program Year	2018
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<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 320834in1010.pdf

Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 320834in1030.pdf

Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	320834
<015>	Study Area Name	WASHINGTON CTY RURAL
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Sara Morris, CPA, CGMA
<035>	Contact Telephone Number - Number of person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	320834
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<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

320834in1210.pdf

Name of Attached Document

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- | | | |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan, | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan. | <input checked="" type="checkbox"/> |

(2005) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

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<030>	Contact Name - Person USAC should contact regarding this data	Sara Morris, CPA, CGMA
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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<p><2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.</p> <p><2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.</p> <p><2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.</p> <p><2024A> Round 2 Recipient of Incremental Support?</p> <p><2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.</p> <p><2025A> Round 2 Recipient of Incremental Support?</p> <p><2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).</p> <p><2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)</p>	<div style="border: 1px solid black; height: 20px; width: 100px; margin-bottom: 10px;"></div> <div style="border: 1px solid black; height: 20px; width: 100px; margin-bottom: 10px;"></div> <div style="border: 1px solid black; height: 20px; width: 100px; margin-bottom: 10px;"></div> <div style="border: 1px solid black; height: 20px; width: 100px; margin-bottom: 10px;"></div> <div style="border: 1px solid black; height: 20px; width: 100px; margin-bottom: 10px;"></div> <div style="border: 1px solid black; height: 20px; width: 100px; margin-bottom: 10px;"></div>	<p>Name of Attached Document Listing Required Information</p> <div style="border: 1px solid black; height: 60px; width: 100%; margin-top: 10px;"></div> <p>Name of Attached Document Listing Required Information</p> <div style="border: 1px solid black; height: 60px; width: 100%; margin-top: 10px;"></div> <div style="border: 1px solid black; height: 20px; width: 100px; margin-top: 10px;"></div>
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(2005) Price Cap Carrier Additional Documentation

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

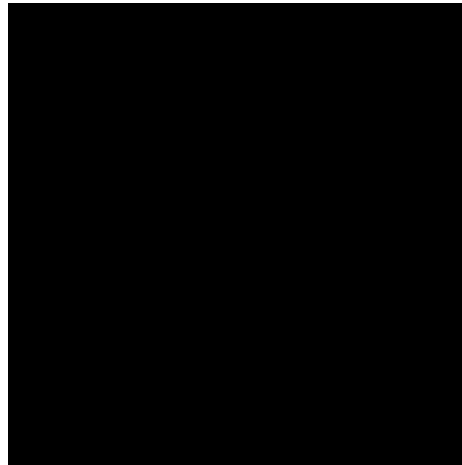
(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)		
		Yes - Attach Certification	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}	320834in3010.pdf	
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	320834in3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

Financial Data Summary

- (3027) Revenue
- (3028) Operating Expenses
- (3029) Net Income
- (3030) Telephone Plant In Service(TPIS)
- (3031) Total Assets
- (3032) Total Debt
- (3033) Total Equity
- (3034) Dividends



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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

**Certification - Reporting Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039> Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Moss Adams, LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Moss Adams, LLP</u>
Name of Reporting Carrier:	<u>WASHINGTON CTY RURAL</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>06/22/2017</u>
Printed name of Authorized Officer:	<u>Roland King</u>
Title or position of Authorized Officer:	<u>President</u>
Telephone number of Authorized Officer:	<u>8129672050 ext.</u>
Study Area Code of Reporting Carrier:	<u>320834</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>WASHINGTON CTY RURAL</u>
Name of Authorized Agent Firm:	<u>Moss Adams, LLP</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>06/22/2017</u>
Name of Authorized Agent Employee:	<u>Rory Lydon</u>
Title or position of Authorized Agent or Employee of Agent	<u>Staff</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>2099556133 ext.</u>
Study Area Code of Reporting Carrier:	<u>320834</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

(700) Price Offerings including Voice Rate Data Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	320834
<015>	Study Area Name	WASHINGTON CTY RURAL
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Sara Morris, CPA, CGMA
<035>	Contact Telephone Number - Number of person identified in data line <030>	8129675521 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	sara.morris@telemedia.coop

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	19.95

<703>

[illegible]

(710) Broadband Price Offerings Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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July 2013

[illegible]

LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

Washington County Rural Telephone Cooperative, Inc. (“the Cooperative”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Cooperative operates are outlined in its local exchange tariff, which is approved by the Indiana Utility Regulatory Commission (“Indiana URC”). The tariff contains provisions regarding the Cooperative’s customer service and protection practices.

Service quality standards for voice service are established by the Indiana URC. The Cooperative consistently meets or exceeds those standards and provides reports to the Indiana URC, in accordance with the Indiana URC’s rules.

With regard to broadband service, the Cooperative provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Cooperative. The Cooperative also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require the Cooperative to publicly disclose information regarding its network management practices, performance, and the commercial terms of its broadband services.

The Cooperative complies with any and all consumer protection obligations under state law.

The Cooperative also complies with the following consumer best practices: (1) the Cooperative discloses its rates and terms of service to customers; (2) the Cooperative provides specific disclosures in its advertising; (3) the Cooperative separately identifies carrier charges from taxes on its billing statements; (4) the Cooperative provides ready access to customer service; (5) the Cooperative promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Cooperative abides by policies for protection of consumer privacy.

Finally, the Cooperative has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011).

LINE 610 - FUNCTIONALITY IN EMERGENCY SITUATIONS

Washington County Rural Telephone Cooperative, Inc. ("the Cooperative") is able to remain functional in emergency situations for both voice and broadband service. The Cooperative has a reasonable amount of backup power to ensure functionality without an external power source. All of the Cooperative's digital loop carriers' (DLCs) remote locations and central offices have an eight hour battery backup system. The Cooperative has a fixed generator at its central offices and a portable generator for its DLCs.

The Cooperative is using a 10 Gig Ethernet ring throughout its network. It is also using an OC48 ring shared with adjoining companies. These provide diverse routing in case of a cable splice or other outage. The same local loop serves both the broadband and voice services for the customer.

Lastly, the Cooperative is capable of managing traffic spikes resulting from emergency situations. It can take reasonable steps to reroute traffic or add capacity to manage traffic spikes throughout its network as emergency situations require. Broadband bandwidth is monitored on a regular basis. If usage peaks near the allotted bandwidth, the Cooperative can add additional bandwidth as needed.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau's 2017 reasonable comparability benchmark for voice services is \$49.51, which includes the federal subscriber line charge ("SLC").¹

In all of the exchanges served by Washington County Rural Telephone Cooperative, Inc. ("the Cooperative"), as of January 1, 2017, the single line residential local rate, including any mandatory extended area service charge, was \$19.95. When the federal SLC (\$6.50) and state SLC (\$1.75) are included, the total rate was \$28.20. Therefore, the Cooperative's pricing of fixed voice services is less than the reasonable comparability benchmark of \$49.51.

¹ *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY

As of January 1, 2017, Washington County Rural Telephone Cooperative, Inc. was charging a residential rate of \$49.95 for broadband providing 10 Mbps download, 1 Mbps upload, and an unlimited usage allowance. This rate is lower than \$77.98, which is the 2017 reasonable comparability benchmark for the same offering established by the Wireline Competition Bureau.¹

¹ *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS

Residential customers of Washington County Rural Telephone Cooperative, Inc. (“the Cooperative”) who qualify for the Lifeline program receive a federal discount of \$9.25 on local voice telephony service.

The Lifeline single-line residential rate, including the federal subscriber line charge (“SLC”) and the state SLC, is \$18.95 (\$28.20 standard rate – \$9.25 discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

For calls outside of the local calling area, Lifeline customers may subscribe to long distance service offered by the Cooperative at a non-discounted rate of \$.059/minute or \$27.50/month for 500 minutes. Lifeline subscribers may also choose another long distance carrier. Customers may elect to subscribe to toll blocking at no charge.

Lifeline Program reductions do not apply to additional services such as custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

Lifeline customers may subscribe to any residential voice telephony service package that is generally available to the public and will receive a Lifeline discount of \$9.25 off the regular price of the package.

Additional information regarding the terms and conditions of voice telephony Lifeline plans can be found at <http://www.telemedia.coop/lifeline/>

LINE 3010 – CERTIFICATION OF PUBLIC INTEREST OBLIGATIONS

Washington County Rural Telephone Cooperative, Inc. (“the Cooperative”) hereby certifies that the Cooperative has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, and that requests for such service were met within a reasonable amount of time.



317-257-1540
FAX: 317-257-1544
6296 Rucker Road, Suite G
Indianapolis, IN 46220

To the Board of Directors
Washington County Rural Telephone
Cooperative, Inc.

Independent Auditor's Report

We have audited the accompanying financial statements of Washington County Rural Telephone Cooperative, Inc. which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of revenues and expenses, comprehensive margin (loss), margins and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington County Rural Telephone Cooperative, Inc. as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read 'Kehlenbrink Lawrence Pauckner', is written over a horizontal line.

Indianapolis, Indiana
September 9, 2016

Washington County Rural Telephone Cooperative, Inc.

Balance Sheets

Assets	June 30, 2016	June 30, 2015
Current Assets		
Cash and cash equivalents		
Certificates of deposit		
Telecommunications accounts receivable		
Materials and supplies		
Prepaid expenses		
Marketable securities		
Video plant held for sale		
Total current assets		
Noncurrent Assets		
Certificates of deposit		
Indiana Fiber Network investment - At cost		
Other investments - At cost		
Telecommunications Plant		
Plant in service		
Plant under construction		
Less - Accumulated depreciation		
Total assets		

The accompanying notes are an integral part of the financial statements.

Washington County Rural Telephone Cooperative, Inc.

Balance Sheets

Liabilities and Members' Equity	June 30, 2016	June 30, 2015
Current Liabilities		
Accounts payable		
Accrued taxes		
Other current liabilities		
Total current liabilities		
Long Term Debt		
Members' Equity		
Patronage capital		
Margins		
Accumulated other comprehensive margin (loss)		
Total liabilities and members' equity		

The accompanying notes are an integral part of the financial statements.

Washington County Rural Telephone Cooperative, Inc.

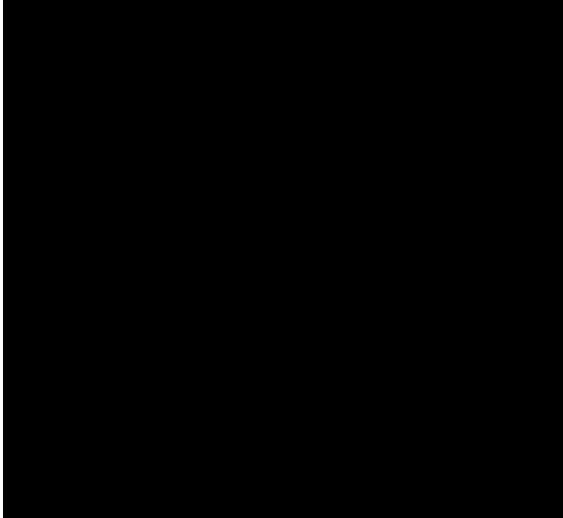
Statements of Revenues and Expenses

	For The Years Ended	
	June 30, 2016	June 30, 2015
Operating Revenues		
Local service		
Network access services		
Internet services		
Miscellaneous revenues		
Uncollectible		
Total operating revenues		
Operating Expenses		
Costs of providing services:		
Telephone		
Internet		
Other		
Depreciation		
Customer operations		
Corporate operations		
Total operating expenses		
Operating Taxes		
Utility receipts taxes		
Income tax		
Property taxes		
Total operating taxes		
Net operating loss - continuing operations		
Other Income and Deductions		
Investment income, net		
Interest expense		
Net loss - continuing operations		
Discontinued Operation		
Loss from video operations		
Impairment of video division asset:		
Net loss on discontinued operation		
Net Margin (Loss)		

The accompanying notes are an integral part of the financial statements.

Washington County Rural Telephone Cooperative, Inc.

Statements of Comprehensive Margin (Loss)

	For The Years Ended	
	June 30, 2016	June 30, 2015
Net Margin (Loss)		
Other comprehensive margin (loss):		
Unrealized holding gain (loss) arising during the period		
Reclassification adjustment for (gain) loss included in net margin (loss)		
Other comprehensive margin (loss)		
Total comprehensive margin (loss)		

The accompanying notes are an integral part of the financial statements.

Washington County Rural Telephone Cooperative, Inc.

Statements of Margins and Patronage Capital

	For The Years Ended	
	June 30, 2016	June 30, 2015
Patronage capital at beginning of year		
Margins transferred to patronage capital		
Patronage capital retired		
Patronage capital at end of year		
Margins at beginning of year		
Net margins		
Margins transferred to patronage capital		
Margins at end of year		
Accumulated other comprehensive margin (loss at beginning of year		
Unrealized holding gains (losses)		
Reclassification adjustmen		
Accumulated other comprehensive margin (loss at end of year		

The accompanying notes are an integral part of the financial statements.

Washington County Rural Telephone Cooperative, Inc.

Statements of Cash Flows

	For The Years Ended	
	June 30, 2016	June 30, 2015
Operating Activities		
Net margins (losses)		
Adjustments to reconcile net margins (losses) to net cash provided by operating activities		
Depreciation and amortization		
Asset impairment		
Loss on retirement of assets		
(Gain) loss on sale of investments		
Patronage allocations		
Changes in operating assets and liabilities		
Accounts receivable		
Other current assets		
Accounts payable		
Other current liabilities		
Net Cash Provided by Operating Activities		
Investing Activities		
Purchase of property, plant and equipment, net of salvage and cost of removal		
Purchase of investments		
Proceeds from sale and maturity of investments		
Net Cash Used in Investing Activities		
Financing Activities		
Proceeds from CoBank		
Loan origination fees		
Redemption of patronage credits		
Net Cash Provided by (Used in) Financing Activities		
Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Year		
Cash and Cash Equivalents at End of Year		

The accompanying notes are an integral part of the financial statements.

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements

June 30, 2016

Note 1 – Significant Accounting Policies

General Description of Business

Washington County Rural Telephone Cooperative, Inc. provides telecommunications and information services to individuals and businesses located in Pekin, Indiana and surrounding areas. The Cooperative also provides access services to inter-exchange carriers who sell long distance telephone service to their subscribers.

The bylaws of the Cooperative provide that all revenues from the furnishing of telecommunication and information services in excess of operating expenses are considered to be capital furnished by the patrons. Net margins are allocated to patrons' equity accounts based on each patron's business for the year. Allocated patronage is subject to redemption at the discretion of the board of directors.

The accounting policies of the Cooperative conform to accounting principles generally accepted in the United States of America and reflect practices appropriate to the telecommunications industry. The accounting records of the Cooperative are maintained in accordance with the uniform system of accounts prescribed by the Federal Communications Commission.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Cooperative's financial statements include significant estimates related to: composite depreciation rates, certain service revenues earned but not billed, and interstate access revenues that are subject to future adjustment upon final settlement of revenue pools administered by the National Exchange Carrier Association (NECA).

Accounts Receivable

Accounts receivable from customers are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus, receivables do not bear interest, although a late payment charge may be applied to such receivables that are past due.

Inventories

Materials and supplies are maintained at the lower of average cost or market.

Investments

Certificates of deposit (CDs) are all classified as held-to-maturity investments. These held-to-maturity investments are carried at cost. Gain or loss is recognized when the investment is sold.

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements

June 30, 2016

Note 1 - Significant Accounting Policies (Continued)

Marketable securities consist of bonds, preferred stocks, and common stocks and are classified as available-for-sale investments. Available-for-sale investments are carried at fair value based on quoted market prices in an active market. Unrealized gains and losses on available-for-sale securities are reported in other comprehensive income. Impairment losses are recognized in earnings for other-than-temporary declines in fair value. The Cooperative considers available evidence in evaluating potential impairment of its investments, including the extent to which fair value is less than cost, duration of the market decline and the Cooperative's ability and intent to hold the investment. Realized gains and losses on sales of available-for-sale securities are computed based upon specific identification of original cost adjusted for any other-than-temporary declines in fair value.

Other investments, which are not readily marketable, are valued at cost and are not evaluated for impairment unless there is an indicator of impairment. It is not practicable to estimate fair value on these investments. As of June 30, 2016, these other investments that are accounted for under the cost method totaled [REDACTED]

Property and Equipment

Telecommunications plant is stated at the original cost of construction including capitalized payroll-related expenses. The original cost of depreciable property retired, together with removal cost less any salvage realized is charged to accumulated depreciation. No gain or loss is recognized in connection with ordinary retirements of depreciable property. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation on telecommunications plant is computed by the use of the straight-line method, which is estimated to allocate the cost of depreciable plant equally over its estimated service life. The annual composite rate was [REDACTED] and [REDACTED] in the years ended June 30, 2016 and 2015, respectively.

Debt Issuance Costs

The Cooperative has adopted Accounting Standard Update (ASU) 2015-03 Imputation of Interest. Debt issuance costs are not shown separately on the balance sheet, but are recorded as a direct reduction of the face amount of the long term debt. Amortization of debt issuance costs is recognized as an increase in interest expenses. There were no debt issuance costs prior to the current year so retrospective application as required by the standard does not result in significant adjustments to prior years.

Revenues

Revenues and any related receivables are recognized in the period in which they are earned regardless of the period in which they are billed. Uncollectible revenues are recorded using the direct write-off method. A significant portion of the Cooperative's revenue is derived from access charges to inter-exchange long distance carriers and support payments from the Indiana Universal Service Fund and the Universal Service Administrative Company.

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements

June 30, 2016

Note 1 - Significant Accounting Policies (Continued)

Compensation for interstate access services is received through tariffed access charges filed by NECA with the Federal Communications Commission (FCC) on behalf of the member companies. These access charges are billed by the Cooperative to interstate interexchange carriers, and pooled with like revenues from all NECA member companies. The portion of the pooled access charge received by the Cooperative is based upon its actual cost of providing interstate access service, plus a return on the investment dedicated to providing that service.

Compensation for intrastate access services is received through tariffed access charges filed with the Indiana Utility Regulatory Commission. These access charges are billed to the intrastate long distance toll carriers and are retained by the Cooperative.

Cash Flows

For purposes of the statement of cash flows, cash equivalents are considered to be all highly liquid investments with an original maturity of three months or less. Cash deposits at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At June 30, 2016, the Cooperative had [REDACTED]

Income taxes paid and interest paid are summarized as follows for the years ended June 30:

	2016	2015
Income tax	[REDACTED]	
Interest		

Fair Value Measurements

The Cooperative determined the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Cooperative has the ability to access at the measurement date.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements June 30, 2016

Note 1 - Significant Accounting Policies (Continued)

Impairment of Long Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable, the carrying amount of the asset group is compared to future undiscounted net cash flows, excluding interest costs, expected to be generated by the asset group and their ultimate disposition. If the sum of the undiscounted cash flows is less than the carrying value, the impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets to be disposed of are reported at the lower of carrying amount or fair value, less costs to sell.

Subsequent Events

Management has evaluated potential subsequent events through September 9, 2016, which is the date the audited financial statements were available to be issued.

Reclassifications

Certain items in the June 30, 2015 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported net income or members' equity.

Note 2 - Concentrations of Credit Risk

Receivables from long distance carriers and NECA as of June 30, 2016 and 2015 were unsecured and totaled [REDACTED] and [REDACTED] respectively.

Note 3 – Investments

All certificates of deposit are classified as held to maturity, are carried at cost and are summarized as follows:

	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses
<u>Investments held to maturity - 2016</u>				
CDs maturing within one year				
CDs maturing 1-3 years				
CDs maturing 3 years or more				
Total				

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements

June 30, 2016

Note 3 – Investments (Continued)

Investments held to maturity - 2015

CDs maturing within one year
 CDs maturing 1-3 years
 CDs maturing 3 years or more
 Total

All marketable securities are classified as available for sale. As such they are carried at fair value as determined by the use of Level 1 inputs from the fair value hierarchy. Unrealized holding gains and losses are included in accumulated other comprehensive margin (loss). Marketable securities are summarized as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>
<u>Investments available for sale - 2016</u>				
Common stock				
Preferred stock				
Bonds maturing 3 years or more				
Total				

Investments available for sale - 2015

Common stock
 Preferred stock
 Bonds maturing 3 years or more
 Total

Realized gains and losses are determined on the basis of specific identification of cost with the individual security. Sales proceeds and gross realized gains and losses were as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Held to maturity investments:		
Sales proceeds		
Gross realized gains		
Gross realized losses		
Net gain (loss)		
Available for sale investments:		
Sales proceeds		
Gross realized gains		
Gross realized losses		
Net gain		

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements

June 30, 2016

Note 3 – Investments (Continued)

As of June 30, 2016, the following investments were in an unrealized loss position:

	<u>For Less Than 12 Months</u>		<u>For 12 Months or Longer</u>	
	<u>Fair</u>	<u>Unrealized</u>	<u>Fair</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Losses</u>	<u>Value</u>	<u>Losses</u>
Certificates of deposit				
Common stock				
Bonds and preferred stock				

Securities with unrealized losses are considered to be impaired. The impairment related to the unrealized losses on CDs and bonds is generally the result of changes in interest rates and is currently considered to be temporary. The impairments related to the unrealized losses on stocks are also considered to be temporary. Based on the Cooperative's intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value and its ability to do so, none of the unrealized losses are considered to be other-than temporary, therefore, no impairment loss has been recorded.

Note 4 – Property, Plant and Equipment

The major classes of property are detailed below for the years ended June 30:

	2016	2015
Plant in Service:		
Land and buildings		
Central office equipment		
Broadband equipment		
DSL circuit equipment		
Telephone distribution plant		
Furniture and office equipment		
General purpose computers		
Motor vehicles		
Other work equipment		
Internet access equipment		
Other non-regulated equipment		
Organization expense		
Total plant in service		

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements

June 30, 2016

Note 5 – Discontinued Operation and Impairment

As part of the Cooperative's strategy to focus on the core and last mile portions of its network, the Company decided to exit the business of providing video service to its patrons. The Cooperative discontinued providing video services to its patrons as of November 30, 2015. All assets of the video division became available for sale at that time. This decision required that the video division now be accounted for as a discontinued operation. As such, the video division's long-lived assets and inventory were reclassified and shown as a current asset for the year ended June 30, 2015 which is presented under the title Video plant held for sale. Video revenues and costs of providing the video services are now shown separately from the revenues and expenses of continuing operations.

The loss from discontinued operations in the year ended June 30, 2015 includes long-lived asset impairment charges of [REDACTED] and inventory write-downs of [REDACTED]. Future cash flows from the discontinued operation are not expected to be significant.

The decision to exit the video business was a triggering event which required an assessment of potential impairment of the video division assets. Based on undiscounted cash flows it was determined that the video division inventory assets and property, plant and equipment assets were impaired. The impairment amounts shown in the preceding paragraph were calculated based on the difference between the carrying value of those assets and the estimated fair value of those assets. The fair value of those assets is an estimate which is based on management research including feedback from potential buyers of the assets.

Note 6 - Income Taxes

The Cooperative is exempt from income tax on income received from its members. The Cooperative's unrelated business income is subject to federal and state income taxes. Fiscal years ending on or after June 30, 2013 are still subject to examination by federal and Indiana jurisdictions.

The Cooperative did not have any deferred tax assets or deferred tax liabilities as of June 30, 2016 and 2015.

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements

June 30, 2016

Note 7 – Debt

The Cooperative had established a revolving line of credit with a bank and could borrow up to [REDACTED] against this line of credit. As of May 23, 2016, the amount available to borrow was reduced to [REDACTED]. The line of credit expires on September 30, 2016. Interest is payable monthly on any amounts borrowed based on [REDACTED]. As of June 30, 2016 the interest rate was [REDACTED]. No amounts are outstanding on the line of credit as of June 30, 2016.

The Cooperative obtained a 10 year [REDACTED] term loan from CoBank which matures on March 31, 2026. The loan contains various covenants which must be met each quarter. The Cooperative was in compliance with all of the covenants as of June 30, 2016. Interest accrues at the fixed interest rate of [REDACTED] and is payable quarterly. No principal payments are required during the first year. After the first year, quarterly payments of principal will be [REDACTED] each until the final payment which will be [REDACTED].

Following are maturities of the term loan:

Year	Amount
[REDACTED]	

Note 8 - Pension Plan

The Cooperative participates in a multi-employer defined benefit pension plan covering substantially all of its employees. The legal plan name is Retirement & Security Program for Employees of the National Telecommunications Cooperative Association and Its Member Systems. The employer identification number/plan number is 52-0741336/333. The risks of participating in this multiemployer plan are different from single-employer plans in the following aspects: a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and c) if the Cooperative chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Washington County Rural Telephone Cooperative, Inc.

Notes to Financial Statements

June 30, 2016

Note 8 - Pension Plan (Continued)

A "zone status" determination is not required and therefore not determined. In addition, the accumulated benefit obligation and plan assets are not determined or allocated separately by individual employer. The plan was over 80% funded as of January 1, 2014.

Contributions to the plan are paid quarterly and are calculated as a percentage of eligible employees' compensation. Total pension contributions during the years ended June 30, 2016 and 2015 were [REDACTED], including a surcharge of [REDACTED], and [REDACTED], respectively. These contributions represent less than [REDACTED] of the total contributions to the plan as indicated in the plan's most recently available annual report (Form 5500) for the year ended December 31, 2014.

Note 9 – Related Party Transactions

The Cooperative invested [REDACTED] for a minority interest [REDACTED] in [REDACTED]. [REDACTED] owns and maintains a fiber-optic cable network located throughout the state of Indiana. The investors consist principally of several independent telephone companies located in Indiana. For financial reporting purposes, this investment is recorded at cost. This investment was not evaluated for impairment because there were no identified events or changes in circumstances that would have a significant adverse effect on fair value.

The Cooperative pays transport charges to [REDACTED]. It also receives payments from [REDACTED] for the leasing of fiber and fiber electronics equipment. Following is a summary of transactions with [REDACTED] for the years ending June 30:

	2016	2015
Transport charges	[REDACTED]	[REDACTED]
Rental Income	[REDACTED]	[REDACTED]

The Cooperative contracts with [REDACTED], a company which constructs outside plant. One of the owners of [REDACTED] is related to the plant manager of the Cooperative. The Cooperative paid [REDACTED] and [REDACTED] in the years ended June 30, 2016 and 2015, respectively.